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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, AUGUST 10, 2000

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

CASE NO. PUE000388

COLUMBIA GAS OF VIRGINIA, INC.,

Defendant

RULE TO SHOW CAUSE

On August 3, 2000, the Commission Staff, by its counsel, filed a motion in the above referenced matter. In that motion, Staff requested that the Commission, pursuant to its authority under § 56-35 of the Code of Virginia ("Code"), issue a rule to show cause, if any there may be, why Columbia Gas of Virginia, Inc. ("Columbia Gas" or "the Company") should not be found in violation of §§ 56-234, 56-236, and 56-237 of the Code by failing to comply with its filed tariffs and why, because of the Company's failure to cease such violations, the Commission should not impose fines and penalties pursuant to the provisions of § 12.1-13 of the Code, and enjoin the Company from further violations of §§ 56-234, 56-236, and 56-237 of the Code.

Specifically Staff alleges that:

(1) Columbia Gas is a Virginia public service corporation, providing natural gas transportation services to customers within the Commonwealth of Virginia.

(2) Old Virginia Brick Company, Inc. ("Old Virginia Brick" or "customer"), receives gas transportation service within Virginia from the Company under the Company gas tariff's TS1 rate schedule. The TS1 rate schedule consists of four declining rate blocks, with the first block service prices being substantially higher than the fourth.

(3) Old Virginia Brick also subscribes to the Company's banking and balancing service made part of the TS1 rate schedule. As described in the tariff, customers may subscribe to such service to account for differences between natural gas volumes received by the Company and volumes delivered to the Customer at its facilities.

(4) Concerning the banking and balancing service, the tariff establishes a commodity price in the case of customer under-delivery, but does not modify the charges for gas transportation services otherwise set forth in the TS1 rate schedule. The tariff states, in pertinent part, that

[O]n days when Company's deliveries to Customer at its facilities exceed Customer's deliveries to Company . . . the Customer may purchase excess volumes, if available, from the Company at the average city gate price for deliveries to mid-Atlantic city gates

via Columbia Gas Transmission Corporation as published in the Gas Daily for the month.

(5) Old Virginia Brick alleges that on or about March 7, 2000, it was overbilled by the Company for transportation charges associated with gas volumes purchased from the Company in conjunction with banking and balancing services under the tariff.

(6) Specifically, Old Virginia Brick alleges that during the pertinent billing period, the volume of gas delivered to such customer extended into the third rate block. However, when Columbia Gas calculated the transportation charges for the gas associated with banking and balancing services furnished to Virginia Brick during that billing period, it applied the first – and most expensive – rate block to that volume, rather than continuing to calculate such charges in the third rate block. The use of the TS1 rate schedule's first rate block rather than the third rate block increased the customer's bill by \$874.35. Virginia Brick also alleges that it was billed \$121.72 for "administrative costs" not authorized as part of the Company's TS1 rate schedule or the banking and billing service in the company's tariff.

(7) The Staff received a complaint from Old Virginia Brick concerning this incident, and, in the course of its investigation thereof, was advised by the Company that this method of calculating the transportation charges associated with

its banking and balancing service is its standard practice, i.e., applying the TS1 schedule's first rate block in connection with furnishing banking and balancing services, irrespective of customers' then current usage volumes.

(8) The Company's practice described above violates the Company's tariff, and is inconsistent with the way costs associated with this service are incurred.

(9) The Staff has requested that the Company cease this practice, and make refunds to any customers that have been overbilled as a result thereof. To date, however, the Company has neither discontinued this practice nor unequivocally offered to make refunds of such overcharges to Old Virginia Brick and all other Company gas transportation customers similarly situated.

(10) The Company has failed to follow the TS1 rate schedule in its filed tariffs in direct violation of Virginia Code §§ 56-234, 56-236, and 56-237.

NOW the Commission, having considered the Motion, is of the opinion that the allegations therein are sufficient to cause a Rule to Show Cause to be issued against the company. The Commission has drawn no conclusions based on the allegations, but finds that the Company should be required to respond formally to them under the procedural schedule set out below.

Accordingly, IT IS ORDERED THAT:

(1) A Rule to Show Cause hereby is issued against Columbia Gas to show cause, if any there may be, why the Company should not be found in violation of §§ 56-234, 56-236, and 56-237 of the Code by failing to comply with its filed tariffs and why, because of the Company's failure to cease such violations, the Commission should not impose penalties pursuant to the provisions of § 12.1-13 of the Code, enjoin the Company from further violations of §§ 56-234, 56-236, and 56-237 of the Code, or both;

(2) Columbia Gas shall file with the Clerk of the Commission, on or before August 29, 2000, an original and fifteen (15) copies of a Responsive Pleading in which it expressly admits or denies the allegations contained in this Rule to Show Cause. If Columbia Gas denies any of the allegations, it shall set forth in its Responsive Pleading a full and clear statement of the facts which it is prepared to prove by competent evidence that refute the allegations so denied. The Responsive Pleading shall be delivered to the Clerk, State Corporation Commission, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218;

(3) Columbia Gas shall be in default if it fails to file in a timely manner the Responsive Pleading, as set forth above. In such event it shall be deemed to have waived all objections

to the admissibility of the evidence, and it may have entered against it a judgment by default imposing some or all of the aforementioned sanctions;

(4) On or before August 29, 2000, the Commission Staff and the Company shall submit a joint stipulation concerning all material facts relating to this matter concerning which there is no dispute, and further identifying such factual matters material to this proceeding concerning which there is dispute, if any, and concerning which the Company or the Commission Staff desire an evidentiary hearing before the Commission;

(5) On or before August 18, 2000, Columbia Gas shall furnish notice of this proceeding by providing a copy of this Rule to Show Cause by mail, postage prepaid, to all of the Company's customers taking banking and balancing service under the Company's TS1 rate schedule. Any such customer desiring to participate in this proceeding shall file written notice of their intent to do so with the Clerk of the Commission, concurrently providing a copy of such notice by mail, postage prepaid, to the Company, and citing Case No. PUE000388, not later than August 25, 2000. Such notice shall be delivered to the Clerk, Document Control Center, P.O. Box 2118, Richmond, Virginia 23218. The Company shall also furnish to all of such customers giving notice of intent to participate in this proceeding copies of its responsive pleading made pursuant to

ordering paragraph (2), and any stipulation of facts entered into with the Commission Staff pursuant to ordering paragraph (4). The same shall be furnished to such customers concurrent with their submission to the Clerk of the Commission.

(6) On or before September 15, 2000, the Commission Staff and the Company shall submit legal briefs or memoranda concerning the law applicable to material issues in this matter, and such customers that have given written notice of their intent to participate in this proceeding may also submit such legal briefs or memoranda on or before such date; and

(7) Pursuant to Rule 7:1 of the Commission's Rules of Practice and Procedure, a hearing examiner is appointed to conduct such further proceedings in this matter as may be required.